

WOODBURY COUNTY AREA SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2004

WOODBURY COUNTY AREA SOLID WASTE AGENCY

NEWS RELEASE

FOR IMMEDIATE RELEASE

Hunzelman, Putzier & Co., PLC Storm Lake, Iowa today released an audit report on the Woodbury County Area Solid Waste Agency.

The firm reported that Woodbury County Area Solid Waste Agency receipts totaled \$388,775 for the year ended June 30, 2004. The receipts included \$187,953 in city and county assessments, \$149,555 in user fees and gate receipts, and \$32,628 interest on investments. Disbursements for the year totaled \$487,429.

A copy of the audit report is available for review in the office of the Auditor of State and the Woodbury County Area Solid Waste Agency office.

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JUNE 30, 2004

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WOODBURY COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gary Merkel	Chairperson	City of Cushing
Max Dunnington	Vice-Chairperson	City of Pierson
Tom Rowse	Member	City of Correctionville
Dale Petersen	Member	City of Sergeant Bluff
Ava Lewon	Member	City of Bronson
Robert Mohrhauser	Member	City of Danbury
Jeff Nitzschke	Member	City of Lawton
Arnold Grell	Member	City of Merville
Gary Adkins	Member	City of Oto
Bill Shreve	Member	City of Salix
Jeff Redmond	Member	City of Sloan
Mike Sauser	Member	City of Anthon
Doug Walish	Member	Woodbury County
Bob Batcheller	Member	Woodbury County
Maurice Welte	Member	Woodbury County
Nancy Countryman	Secretary/Manager	

## Independent Auditor's Report

To the Members of the Woodbury  
County Area Solid Waste Agency

We have audited the accompanying financial statements of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2004 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 10, during the year ended June 30, 2004, Woodbury County Area Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2004 on our consideration of Woodbury County Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*Hungelman, Putzier & Co.*

November 1, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodbury County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Woodbury County Area Solid Waste Agency is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### 2004 FINANCIAL HIGHLIGHTS

The Agency's operating receipts increased 5%, or approximately \$16,000, from fiscal 2003 to fiscal 2004.

The Agency's operating disbursements increased approximately \$226,000, or 86%, from fiscal 2003 to fiscal 2004.

The Agency's net assets decreased 12%, or approximately \$99,000, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Agency has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses, and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues, and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Woodbury County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets - Cash Basis presents information on the Agency's net assets, including balances restricted for specific purposes, and balances unrestricted and available for operating activities.

The Statement of Cash Receipts, Disbursements, and Changes in Net Assets - Cash Basis presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE AGENCY

### Statement of Net Assets - Cash Basis

The Statement of Net Assets - Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets - Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Agency's financial position by analyzing the increases and decreases in net assets.

<u>Assets and Net Assets</u>		<u>June 30, 2004</u>
Assets		
Cash and cash equivalents:		
Restricted		\$433,983
Unrestricted		<u>282,164</u>
Total assets		<u>\$716,147</u>
Net Assets		
Net assets:		
Restricted		\$433,983
Unrestricted		<u>282,164</u>
Total net assets		<u>\$716,147</u>

The largest portion of the Agency's net assets (61%) is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (39%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

### Statement of Cash Receipts, Disbursements, and Changes in Net Assets - Cash Basis

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements, and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments and gains on the sale of assets. A summary of cash receipts, disbursements, and changes in net assets for the year ended June 30, 2004 is presented below:



# FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

<u>Changes in Cash Basis Net Assets</u>		<u>Year Ended June 30, 2004</u>
Operating receipts:		
City and County assessments		\$ 187,953
User fees and gate receipts		149,555
Salvage receipts		15,392
Miscellaneous		<u>1,375</u>
Total receipts		<u>354,275</u>
Operating disbursements:		
Salaries and benefits		137,694
Contracted services		8,910
Fuel, oil, and lubricants		13,425
Operating supplies and repairs		9,252
Office supplies		2,701
Telephone		2,265
Utilities		2,796
Travel and continuing education		1,260
Insurance		10,166
Engineering and testing services		14,797
Accounting and legal		3,380
Department of Natural Resources tonnage fee		11,038
Tire disposal		4,081
Recycle processing and disposal		12,651
Capital improvements/outlays:		
Catepillar tractor		116,272
Recycling truck		110,650
Pond improvements		9,963
New well		8,052
Other improvements		2,471
Toxic clean-up contribution		5,000
Miscellaneous		<u>605</u>
Total disbursements		<u>487,429</u>
Deficit of operating receipts over operating disbursements		<u>(133,154)</u>
Non-operating receipts:		
Interest on investments		32,628
Gain on sale of assets		<u>1,872</u>
		<u>34,500</u>
Change in cash basis net assets		(98,654)
Net assets, cash basis beginning of year		<u>814,801</u>
Net assets, cash basis end of year		<u>\$ 716,147</u>

In fiscal 2004, operating receipts increased by \$16,363, or 5%. The increase was primarily a result of gate fees increasing by \$6,495 due to an increase in waste received, and salvage receipts increasing by \$8,633 due to an increase in the price received for metal. In fiscal 2004, operating disbursements increased by \$225,787, or 86%, from fiscal 2003. The increase was primarily due to the purchase of a Catepillar tractor for \$116,272 and a recycling truck for \$110,650.

## ECONOMIC FACTORS

Woodbury County Area Solid Waste Agency continued to improve its financial position during the current fiscal year. The current condition of the economy of the state continues to be a concern for Agency members because it filters down to the county level which affects the landfill as we receive money from the county. Some of the realities that may potentially become challenges for the Agency to meet are:

The facilities and all the equipment require constant maintenance and upkeep.

The Iowa Department of Natural Resources presents a constant challenge to the landfill board. The DNR is always changing issues which significantly affects our financial position.

Annual deposits required to be made to closure and post closure accounts are based on constantly changing estimates and the numbers of tons of solid waste received at the facility.

The Woodbury County Area Solid Waste Agency will be building a transfer station and abandoning the present system of burying solid waste. The Agency will open bids for the project March 9, 2005 with construction to start in the spring of 2005. The estimated cost of the transfer building is \$400,000. The landfill will be looking at the fall of 2005 or spring of 2006 to start transferring the garbage to another landfill.

The Woodbury County Area Solid Waste Agency anticipates the next current fiscal year will be tight and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

## CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Woodbury County Area Solid Waste Agency, 200 Ida Avenue, Merville Iowa.

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2004

Exhibit A

Assets	
Cash and cash equivalents:	
Restricted	\$ 433,983
Unrestricted	<u>282,164</u>
Total assets	<u>\$ 716,147</u>
Net assets	
Restricted for:	
Closure	\$ 109,076
Postclosure	<u>324,907</u>
Total restricted net assets	433,983
Unrestricted	<u>282,164</u>
Total net assets	<u>\$ 716,147</u>

See notes to financial statements.

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

Operating receipts:	
City and County assessments	\$ 187,953
User fees and gate receipts	149,555
Salvage receipts	15,392
Miscellaneous	1,375
Total receipts	<u>354,275</u>
Operating disbursements:	
Salaries and benefits	137,694
Contracted services	8,910
Fuel, oil, and lubricants	13,425
Operating supplies and repairs	9,252
Office supplies	2,701
Telephone	2,265
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Deficit of operating receipts over operating disbursements	<u>(133,154)</u>
Non-operating receipts:	
Interest on investments	32,628
Gain on sale of assets	1,872
	<u>34,500</u>
	(Continued)

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B  
(Continued)

Change in cash basis net assets	\$ (98,654)
Net assets, cash basis beginning of year	<u>814,801</u>
Net assets, cash basis end of year	<u>\$ 716,147</u>

See notes to financial statement.

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies

Woodbury County Area Solid Waste Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate, and maintain solid waste facilities in Woodbury County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the twelve member cities and three representatives from Woodbury County. The representatives are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, Woodbury County Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

Woodbury County Area Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies - (Continued)

D. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets - Cash Basis.

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets and Net Assets - Funds set aside for payment of closure and postclosure care costs and unspent note proceeds are classified as restricted.

2. Deposits

The Agency's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3.

3. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$6,198, \$5,766, and \$5,632 respectively, equal to the required contributions for each year.

4. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

4. Compensated Absences - (Continued)

disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments payable to employees at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$4,703</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

5. Closure and Postclosure Care Costs

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period.

Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The costs to the Agency for closure and postclosure cost have been estimated at approximately \$135,216 and \$454,155, respectively and the landfill has an estimated remaining life of four years. The Agency has begun to accumulate resources to fund these costs and at June 30, 2004, assets of \$433,983 are restricted for these purposes, of which \$109,076 is for closure and \$324,907 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets - Cash Basis.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the local government dedicated fund mechanism.



WOODBURY COUNTY AREA SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

5. Closure and Postclosure Care Costs - (Continued)

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

6. Solid Waste Tonnage Fees Retained

The Agency retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2004, the Agency had no unspent tonnage fees.

7. Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or a portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool were \$4,931 for the year ending June 30, 2004.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any

WOODBURY COUNTY AREA SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

7. Risk Management - (Continued)

excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Agency's financial statements.

As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with the employee bond and workers compensation. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Major Customer

For the year ended June 30, 2004 the Agency received approximately 36% of its user fees and gate receipts or 14% of total receipts from one major hauler.

9. Accounting Change

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Agency.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Members of Woodbury  
County Area Solid Waste Agency

We have audited the financial statements of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated November 1, 2004. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woodbury County Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodbury County Area Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Woodbury County Area Solid Waste Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (B), and (C) are material weaknesses. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of Woodbury County Area Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hungelman, Putzier & Co.*

November 1, 2004

WOODBURY COUNTY AREA SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- A. Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliation are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Copies of the paid warrants are mailed monthly to all board members and a list of warrants to be paid is presented at every board meeting. The board has a second person reconciling monthly bank statements and preparing quarterly tax returns.

Conclusion - Response accepted.

- B. Prenumbered Receipts - The scale tickets being used are not prenumbered.

Recommendation - The scale tickets should be prenumbered and the numerical sequence accounted for to provide additional control over the proper recording of all collections.

Response - At this time the Agency will continue with the present procedure on the scale tickets. They order 2000 at a time and there are a lot of tickets to be used. The cost of putting numbers on the tickets would be an additional cost to the Agency. The staff has been advised to do a better job of keeping track of the scale tickets used on a daily basis.

Conclusion - Response accepted.

- C. Approval of Disbursements - Although the Board currently approves disbursements, there is no documentation to support that approval. Also, the Board Chairman has signed checks with no supporting documentation.

Recommendation - The Board should provide documentation that all disbursements have been approved by either listing them in the minutes or initialing a separate list of all disbursements approved for payment. Also, the Board could authorize the manager to pay small or reoccurring bills without prior Board approval and not require the Chairman's signature on checks.

Response - The Agency Board will be signing off on the lists of warrants paid for each month. Each member is sent in the mail a list of warrants before the next meeting and a list of warrants to be paid is presented at each meeting for members to sign. The Board will continue to have the Chairman sign the checks along with the Manager.

Conclusion - Response accepted.

# WOODBURY COUNTY AREA SOLID WASTE AGENCY

## SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

### Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded in the year ended June 30, 2004.
2. Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
5. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
6. Solid Waste Tonnage Fees Retained - During the year ended June 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.
7. Financial Assurance - The Agency has established a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code to demonstrate financial assurance for closure and postclosure care costs. The calculation is made as follows:

	<u>Closure</u>	<u>Post Closure</u>
Total estimated costs for closure and postclosure care	\$135,216	\$454,155
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>99,992</u>	<u>279,991</u>
	35,224	174,164
Divided by the number of years remaining in the pay-in period	<u>4</u>	<u>4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	8,806	43,541
Balance of funds held in the local dedicated fund at June 30, 2003	<u>99,992</u>	<u>279,991</u>
Required balance of funds held in the local dedicated fund at June 30, 2004	<u>\$108,798</u>	<u>\$323,532</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2004	<u>\$109,076</u>	<u>\$324,907</u>

WOODBURY COUNTY AREA SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Other Findings Related to Statutory Reporting: (Continued)

8. Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency retains cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation - The Agency should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The Agency has contacted the American National Bank and asked if it would be possible to obtain both sides of the check. They are aware of the situation and will start to send the image of both the front and the back of our cancelled checks.

Conclusion - Response accepted.

9. Investment Policy - The investment policy has not been reviewed in several years and may not reflect the landfill's current practice.

Recommendation - The investment policy should be reviewed periodically and updated as necessary.

Response - The Agency Board will update the policy in regards to the dollar amount being put in each bank.

Conclusion - Response accepted.